UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

BLACKROCK, INC., Plaintiff, - against - SCHRODERS PLC. Defendant.	07 Civ. 3183 (PKL) **REPLY AFFIRMATION OF JAY S. BERKE IN SUPPORT OF ORDERS TO SHOW CAUSE FOR EXPEDITED DISCOVERY AND PRELIMINARY INJUNCTION**

I, Jay S. Berke, under penalty of perjury hereby affirm:

1. I am a member of the firm of Skadden, Arps, Slate, Meagher & Flom LLP, located at Four Times Square, New York, New York 10036. I represent Plaintiff BlackRock, Inc. ("BlackRock") in the instant action against Defendant Schroders plc ("Schroders"). I make this affidavit based on my personal knowledge, investigation and documentary information.

The Need For Expedited Discovery Now And To Proceed By Order To Show Cause for Preliminary Injunction Prior To July 1, 2007

2. It is necessary to commence expedited discovery as immediately as possible and to proceed by Order to Show Cause for a preliminary injunction in this action to prevent irreparable injury to BlackRock. Mr. Achim Kussner is due to start employment with Defendant's German subsidiary on or about July 1, 2007 in a position where he will head that subsidiary and report directly to the leadership of Defendant Schroders in London. A preliminary injunction is needed to prevent Defendant from employing Mr. Kussner in July and from further inducing him to impart BlackRock's most sensitive confidential business

information and from soliciting away more BlackRock key personnel. Utilizing normal procedures under the Federal Rules of Civil Procedure would prolong discovery and a meaningful preliminary injunction hearing prior to Mr. Kussner's July 1 start date with Defendant would not be feasible. Proceeding by Order to Show Cause and utilizing the procedures for service of process on Defendant by registered mail pursuant to the Hague Convention has thus far permitted this matter to be timely heard by the Court so that it can fully consider the remedies sought by the Plaintiff, without prejudicing Defendant.

3. The Complaint in the instant action (the "Complaint") alleges that Defendant Schroders tortiously interfered with Mr. Achim Kussner's contractual obligation and fiduciary duty to Plaintiff BlackRock under which Mr. Kussner, among other things, cannot solicit other employees to leave BlackRock and cannot disclose BlackRock's confidential information. The Complaint alleges, with considerable support from emails attached thereto between Mr. Kussner and Defendant Schroders or its agents, that Defendant induced Mr. Kussner to actively steal five key employees who resigned from BlackRock's German subsidiary nearly simultaneously with Mr. Kussner and also to share with Defendant and use for Defendant's advantage BlackRock's confidential business information in this improper effort. Mr. Kussner was a managing director of Plaintiff BlackRock and Country Head of its German and Austrian operations. In these positions, he was privy to BlackRock's most confidential information about marketing efforts, business plans, fund management strategies, asset management products and employees and compensation matters, not only in Germany, but worldwide, emanating from, or coordinated by, BlackRock's New York headquarters. Mr. Kussner has affirmatively told BlackRock that he does not consider his contractual obligations to be binding upon him and it has been announced by Defendant that Mr. Kussner, who is currently

on garden leave and therefore still employed within BlackRock until June 30, 2007, will join Schroders in July, 2007. Accordingly, expedited discovery is urgently needed to more fully establish Defendant's tortuous conduct so that evidence of Defendant's wrongdoing can be presented to the Court in support of a preliminary injunction prohibiting Defendant from employing Mr. Kussner for a reasonable period during the pendency of the instant action and from any further inducement of Mr. Kussner or any other BlackRock personnel to violate their employee nonsolicitation and confidentiality obligations. Expedited discovery is also needed to more fully establish Defendant Schroders' presence in New York and the convenience with which it can defend itself before this Court, as it has thus far been conveniently doing. But, merits expedited discovery cannot await jurisdictional discovery and need not do so, especially given the evidence presently before the Court. The hearing on the preliminary injunction should necessarily be scheduled in June so that the Court can rule prior to the apparent July 1, 2007 date for commencement of Mr. Kussner's employment with Defendant Schroders' German subsidiary which Defendant wholly controls.

4. Thus, Defendant has moved to dismiss the Complaint for lack of personal jurisdiction and on ground of forum non conveniens, and is urging the Court to delay expedited discovery and the setting of a June 2007 preliminary injunction date, until the Court rules on Defendant's motion to dismiss. However, based on the facts alleged in the Complaint and on the evidence set forth in the instant affirmation, it is clear that personal jurisdiction has been more than sufficiently alleged in the Complaint, and that the evidence already proves, or there is a substantial probability that it will prove, this Court's personal jurisdiction over Defendant Schroders and that this Court is the proper and most convenient forum for this litigation.

5. Therefore, the delay in expedited discovery sought by Defendant will serve only one purpose, to improperly delay Plaintiff from discovery it needs to more fully establish its case for preliminary injunction, and to improperly delay the preliminary injunction hearing, until well after Mr. Kussner has commenced active employment with Defendant Schroders' German subsidiary, in a position where he will head that subsidiary and report directly to the leadership of Defendant Schroders in London, to whom he will have every ability to impart BlackRock's most sensitive confidential business information and with whom he will be able to join in soliciting away more BlackRock key personnel.

Defendant Schroders Is Present And Doing Business In The United States, New York, And The Southern District Of New York

6. In establishing a factual basis for personal jurisdiction over Defendant Schroders, paragraph 10 of the Complaint herein emphasized, among other things, that Defendant Schroders, while headquartered in London, "is a global asset management firm which operates from 35 offices in 26 different countries across Europe, the United States, and Asia Pacific through subsidiaries and affiliates," that Defendant "regularly does and transacts business at its primary U.S. address: 875 3rd Avenue, 22nd floor, New York, NY 10022-6225," that Defendant has reported as much as "14% of its clients" as being based in the United States, that Defendant's Chairman and Chief Executive Officer, Mr. Michael Dobson has publicly announced that Schroders has targeted the United States as a key target for the growth of its business, and that a "significant amount of Defendant Schroders plc's more than $250 billion of assets under management are invested through exchanges located in the Southern District of New York, and/or invested in securities through trades and transactions occurring in the Southern District of New York, and/or are managed in, or managed and invested for clients located in, the United States, and more particularly, the Southern District of New York."

Therefore, paragraph 11 of the Complaint alleges personal jurisdiction and venue based on New York CPLR Section 301 and on 28 U.S.C.§ 1391(a).

7. Defendant Schroders contends that it is not doing business in New York, because it is headquartered in London and "is a holding company" only which owns a subsidiary, Schroders Investment Management North America Inc. ("SIMNA Inc."), that manages all of the assets of its American clients from the subsidiaries' office in New York. Declaration of Howard Trust dated May 2, 2007, filed by Defendant in Support of its Motion to Dismiss herein.

8. However, as set forth in Paragraphs 9-22 below, a penumbra of admissions, made directly by Defendant Schroders and its subsidiaries, contradicts this statement and demonstrates that Defendant Schroders controls its subsidiaries, is present and doing business through its subsidiary at the Third Avenue offices in the Southern District of New York, and continually holds itself out to the public or members of the investment community as such, and derives such substantial revenue from its United States and New York operations, that had it not chosen to conduct its business here through the form of subsidiary corporations, it would clearly have been compelled to engage in such business in its own name, and for purposes of the jurisdictional "doing business" standard, is effectively doing so. Thus, an official of Defendant Schroders, in a statement reported by Investment News in August 2006, Mr. Dorrien-Smith said that 12% of Defendant Schroders' asset base was in the U.S. at the time but that Defendant Schroders' intended to increase its U.S. client base and had doubled the number of its employees in the U.S. between 2003 and 2006. See "New CEO Named at Schroders," Investment News, August 30, 2006, Attachment 1.

9. Defendant Schroders, on its website, "www.Schroders.com," which bears the legend "© Copyright 2007 Schroders plc," makes the following statement: "Our head office is in London." The word "our" obviously refers to Defendant Schroders since Defendant Schroders is headquartered in London, while its subsidiary SIMNA Inc. is headquartered in New York and does not purport to have a London office. In the very next sentence on the website, the following statement clearly is made about Defendant Schroders: "We [Defendant Schroders] opened our New York office in 1923. Since then we have amassed extensive knowledge of the American markets. Our presence [in New York] has also given us the platform to deliver a range of high quality investment products to clients based in the Americas." See Extracts of www.Schroders.com, Attachment 2. (Emphasis added.)

10. Statements purportedly being made by SIMNA, Inc. in a "Schroders Prospectus" dated March 1, 2007, covering eleven equity, taxable fixed income, and tax exempt fixed income funds, additionally admit that the Third Avenue, New York offices where SIMNA, Inc. is doing business in this District are also the offices of Defendant Schroders where Defendant is likewise doing business in this District. As the Schroders Prospectus states,

> Schroders plc, [SIMNA, Inc.'s] ultimate parent, is a global asset management company with approximately $229.4 billion under management as of September 30, 2006.... Schroders plc has one of the largest networks of offices of any dedicated asset management company and over 300 portfolio managers and analysts covering the world's investment markets.

See Schroders Prospectus, Attachment 3, at p. 66.

11. Similarly, in Defendant Schroders' "Annual Report and Accounts 2006," Defendant states in pertinent part: "At Schroders, [referring to Defendant Schroders] asset management is our only business....We employ more than 2,600 talented people worldwide

operating from 35 offices in 26 different countries across Europe, the Americas and Asia Pacific, close to the markets in which we invest and close to our clients." See Annual Report and Accounts 2006, Attachment 4, at second cover page. (Emphasis added.)

12. In that same annual report, the Chairman and Chief Executive of Defendant Schroders make the statement, among other things, that "We [referring to Defendant Schroders] also had net inflows in Retail in continental Europe and Asia Pacific and in our first year in the intermediary business in the US. Funds under management in Retail ended the year at £42.5 billion (2005: £36.0 billion)." See Attachment 4, at p. 1-2. (Emphasis added.)

13. Similarly, SIMNA Inc. has made binding admissions establishing that Defendant Schroders is doing business in New York. In SIMNA Inc.'s Form ADV (Uniform Application for Investment Advisor Registration), it states that Defendant Schroders is a "Control Person" of SIMNA Inc., as defined in the Glossary of Terms to Form ADV. See SIMNA, Inc. Form ADV, Attachment 5, at Schedule B, paragraph 7. This means that Defendant Schroders has "the power, directly or indirectly, to direct the management or policies of [SIMNA Inc.], whether through ownership of securities, by contract, or otherwise." See Glossary of Terms to Form ADV, Attachment 6, at p. 1, paragraph 5.

14. The degree of control by Defendant Schroders over the activities of SIMNA, Inc. in New York and in the management of assets of its New York customers is demonstrated by the Schroders Prospectus. See Schroders Prospectus, Attachment 3, at cover page. While these funds are nominally "managed" by SIMNA, Inc., the investment advisor for these funds, the Schroders Prospectus emphasizes that these funds are actually managed by Schroder Investment Management North America Limited ("SIMNA Ltd."). Id. at 66. Thus, the

Schroders Prospectus states SIMNA Ltd. "serves as sub-adviser responsible for portfolio management of Schroder Emerging Market Equity Fund, Schroder International Alpha Fund, Schroder International Diversified Value Fund, Schroder North American Equity Fund, and Schroder Strategic Bond Fund." Id.

15. The Schroders Prospectus further discloses that these funds are managed by ten named portfolio managers of the sub advisor SIMNA Ltd., who are based in London. Id. at 30, 67- 71. The Form ADV filed by SIMNA Ltd. with the United States Securities Exchange Commission indicates that its office are at 31 Gresham Street, London, United Kingdom -- the very same offices of Defendant Schroders. See SIMNA, Ltd. Form ADV, Attachment 7, at Item 1, paragraph F. In fact, the books and records of SIMNA Inc.'s operations in New York are maintained in those very same London offices occupied by SIMNA Ltd. and Defendant Schroders. See SIMNA, Inc. Form ADV, Attachment 7, at Schedule D, paragraph 1.K.. Moreover, SIMNA Ltd.'s Form ADV admits that Defendant Schroders is a "Control Person" of SIMNA Ltd., just as Defendant Schroders is a "Control Person" of SIMNA Inc. See SIMNA, Ltd. Form ADV, Attachment 7, at Schedule B, paragraph 7.

16. Also at Defendant Schroders and SIMNA Inc.'s Third Avenue offices in New York, another subsidiary of Defendant's, Schroder Fund Advisors Inc. ("SFAI") has its main office. SFAI is registered with the Securities and Exchange Commission and is a broker dealer engaging in the buying and selling of securities, presumably trading on the New York Stock Exchange and other New York based security exchanges or markets for Defendant Schroders' assets under management through its subsidiary SIMNA Inc. in New York and SIMNA Ltd. in London. See BrokerCheck Report for SFAI, Attachment 8, at p. 1, 3, 7, 10.

17. Defendant Schroders' doing business and presence in New York and its control over its New York based subsidiaries is further demonstrated by the significant officers, directors or executives who hold positions with both Defendant Schroders New York and London based investment management subsidiaries (SIMNA Inc. and SIMNA Ltd.), and in some cases also with Defendant Schroders itself, and all under the leadership of Defendant Schroders management. See Charts, Attachment 9.

18. For example, Mr. Alan Brown, who is Group Chief Investment Officer for, and a Director of, Defendant Schroders in London (until April 2007, he was Defendant Schroders' Head of Investment) and a Director of SIMNA Inc. in New York and is also Chairman and Head of Investments of SIMNA Ltd. in London. As another example, in March 2003, Defendant Schroders appointed Mark Hemenetz, as "Chief Operating Officer of its [Defendant Schroders'] North American business." A press release indicated that Mr. Hemenetz would "report directly" to Defendant Schroders' "North American head." See "Schroders New York Appoint Chief Operating Officer," press release dated March 10, 2003, Attachment 10. Mr. Hemenetz is also a Director and Chief Operating Officer of SIMNA, Inc. See SIMNA, Inc. Form ADV, Attachment 5, at Schedule A, paragraph 7. As still another example, Mr. Jamie Dorrien-Smith, currently Schroders' CEO for the Americas, is an executive team member of Defendant Schroders' Board Group Management Committee, led by Mr. Michael Dobson, the Chief Executive of Defendant Schroders. Id., see Annual Report and Accounts 2006, Attachment 4, at p. 23.

19. Defendant Schroders' participation in and control of the business activities of its subsidiaries SIMNA Inc. and SIMNA Ltd. and their presence in New York and management of the assets of New York investors is further demonstrated by the fact that Defendant Schroders

provides its asset managers with analytics which are essential to their investment advisory and asset management activities. As Defendant Schroders states on its website at www.Schroders.com:

> Schroders [referring to Defendant Schroders] provides investment management services for a broad spectrum of clients including institutional, retail, private clients and charities. The long term objectives of any investment programme that we implement for our clients cannot be achieved, however, without taking some degree of risk. Having said that, it's not sufficient for portfolio managers to simply select their favoured investments, combine them together into a portfolio and presume that, over time, the client's ultimate investment objectives will be met. Along the way there are bound to be potential pitfalls which might include changing market conditions and periods of abnormal volatility that will conspire to challenge even the most skilful fund manager's portfolio strategy. Consequently, the modern investment management company needs to have the tools and resources in place to be able to measure and manage portfolio risk effectively across the range of its products.

See Extracts of www.Schroders.com, Attachment 2. (Emphasis added.)

20. Indeed, on Defendant Schroders' website, a chart is depicted which displays the various functions provided or used by Defendant for portfolio analysis through Defendant's "proprietary equity risk analysis system PRISM." With regard to PRISM, Defendant Schroders states on its website: "For Equity portfolios we [referring to Defendant Schroders] use our proprietary equity risk analysis system PRISM to provide comprehensive risk analysis. PRISM describes the overall level of investment risk in a portfolio and the breakdown of that risk into its component sources." Id. Consistent with this statement, the chart illustrating the PRISM system bears the conspicuous heading, "Schroders PLC," clearly identifying the owner-operator of Defendant's portfolio analytic system. Id.

21. An August 11, 2006 an interim earnings presentation by Defendant Schroders' CEO Michael Dobson stated:

> As you know, we have moved into U.S. retail recently. We've made good progress with this U.S. intermediary business. We have registered ten funds across the range of domestic U.S. and international equity asset classes, and also fixed-income, domestically and internationally. We signed up with a number of distributors. We are in the process of signing up more distributor relationships. We have a sales team in place in New York. We have a growing pipeline of new business and we are already seeing inflows. So I'm quite excited about this project, which nevertheless is very much a long-term project for the Firm.

See Transcript of Interim 2006 Schroders plc Earnings Presentation, Attachment 11, p.3.

22. Defendant Schroders also provides loans to it subsidiaries as indicated in its Annual Report and Accounts 2006. See Annual Report and Accounts 2006, Attachment 4, at Schroders plc Notes to the Accounts ¶¶ 41; 46; 51. Its New York subsidiary SIMNA, Inc. also discloses in its Form ADV that Defendant Schroders provides it with publicity and public relations through Defendant Schroders website located at www.Schroders.com. See SIMNA, Inc. Form ADV, Attachment 5, at Item 1(I).

<u>Injury To Plaintiff BlackRock In The United States And New York</u>

23. Paragraph 11 of the Complaint also bases personal jurisdiction on Defendant's commission of the alleged torts outside of New York causing injury to Plaintiff in New York. Personal jurisdiction and venue are therefore also based on New York CPLR Section 302 and on 28 U.S.C.§ 1391(a).

24. Defendant Schroders is now contending that any injury inflicted by its conduct was injury in Germany, not the United States and not in New York. However, as

explained by the Merrill Lynch International Investment Funds ("MLIIF") Prospectus dated October 2, 2006, (Attachment 12) issued by BlackRock Merrill Lynch Investment Managers, when a German retail client invests in a MLIIF fund, two of four primary investment advisors actually managing that fund are BlackRock Financial Management, Inc., headquartered in Plaintiff BlackRock's offices at 40 East 52nd Street, New York, NY 10022, and BlackRock Investment Management, LLC, based in Plainsboro, New Jersey, both subsidiaries of Plaintiff BlackRock, the ultimate parent company. See Attachment 12, cover page, pp. 4, 7, 43.

25. Accordingly, the disruption and damage to Plaintiff BlackRock's business, reputation and goodwill with clients and employees caused by Defendant Schroders conduct does not constitute injury solely in Germany, as argued by Defendant, but constitutes significant injury in the United States and in New York and the Southern District in particular. See Affidavit of Robert P. Connolly dated April 19, 2007, paragraphs 8, 32.

26. Likewise, the confidential information available to Mr. Kussner as a Managing Director and Country Head was company-wide information, on BlackRock's internal computer system accessible to a company official of Mr. Kussner's level on a daily basis and specifically furnished to him in meetings and telephone conferences held in or emanating from New York. Id. paragraphs 34, 35. By definition, such confidential information about marketing efforts, business plans, fund management strategies, asset management products and employees and compensation matters, were Plaintiff BlackRock's and concerned Plaintiff's worldwide, U.S. and New York business information, which Mr. Kussner has effectively stated he now feels legally free to share with Defendant Schroders. The preliminary injunction prayed for here is clearly, therefore to prevent injury to Plaintiff BlackRock in New York and elsewhere, not

merely to Plaintiff's subsidiary in Germany as Defendant incorrectly argues. Id. paragraphs 36-38.

This Court Is The Appropriate And Convenient Forum For This Litigation

27. Given the above information, the allegations in the Complaint and the matter set forth in the Affidavit of Robert P. Connolly dated April 19, 2007, the matters encompassing this action began with Plaintiff BlackRock's acquisition of MLIM, a transaction primarily negotiated in New York, Plaintiff BlackRock's confidentiality and employment policy drafted in New York, which by its terms specifically and directly protects Plaintiff BlackRock and its business interests in New York and worldwide, which are centrally administered by Plaintiff BlackRock from its New York headquarters, the wrongful conduct alleged, though committed by Defendant in London and by Mr. Kussner in London and Germany, caused injury to Plaintiff BlackRock in the United States and in New York. Defendant Schroders does business in New York through subsidiaries in New York which Defendant controls, through offices on Third Avenue in Manhattan, at which the subsidiaries and Defendant Schroders are doing business. This matter is between competiting global asset management companies and effects the capital markets located in New York.

28. Defendant Schroders has ready access to counsel in New York, and in the instant case, on a few hours notice its New York based attorneys Pillsbury Winthrop Shaw Pittman LLP negotiated their consent to the Order to Show Cause and appeared with counsel for Plaintiff to request scheduling of hearing dates which was considered by the Court when the Order to Show Cause was entered by United States District Judge John Keenan on April 20, 2007.

29. Defendant Schroders had litigated before in New York and has made at least one motion to dismiss, claiming as it does in the instant matter, that it is a mere holding company that does not do business in New York. See Supplemental Affidavit of Francis Neate, dated December 4, 2003 submitted by Defendant in Haugh v. Schroders plc, No. Civ. 600651/03 (N.Y. Sup. Ct. Nov. 24, 2003) (Attachment 13). In Haugh, the court denied Defendant Schroders' motion to dismiss and permitted discovery to proceed. See slip opinion in Haugh v. Schroders plc, No. Civ. 600651/03 (N.Y. Sup. Ct. Nov. 24, 2003) in Compendium of Unreported Cases submitted with Plaintiff BlackRock's Reply Memorandum Of Law In Support Of Plaintiff's Orders To Show Cause For Expedited Discovery And Preliminary Injunction.

30. Therefore, all parties hereto have been shown to possess the ability to fully and conveniently litigate the instant matter before this Court.

Jay S. Berke

TAB 1

InvestmentNews
The Home Page for Today's Leading Financial Advisers

New CEO named at Schroders

By Aaron Siegel
August 30, 2006

Jamie Dorrien-Smith has been named Chief Executive Officer and Head of Distribution of Schroders in North America.

In his new post, he "will be responsible for spearheading the growth of our institutional and intermediary businesses in North America," according to an internal memo dated Monday.

Previously, Mr. Dorrien-Smith was Head of the Global Financial Institutions Group at Schroders.

Mr. Dorrien-Smith said that 12% of Schroeders asset base is in the U.S., but added that plans are underway to increase the size of the client base.

"We doubled number of employees in U.S. over the last three years," he said.

"There is a strong focus on adding high-quality individuals to our teams with expertise and knowledge of the market place."

Peter Clark, who made the announcement, will step up to the post of chairman of Schroders in North America.

In addition, Mr. Clark will also retain responsibility for businesses in Latin America.

Schroders is a global asset management firm with over $226.1 billion in assets under management as of June 30, according to the company.

TAB 2

Schroders

Knowledge and Experience

Decades of experience in managing assets in all investment markets and a commitment to world-class research enable us to achieve our clients' objectives. With skilled investment professionals in more than 20 countries, the knowledge they generate is used to the maximum advantage of every client. And our excellence in risk management provides security and the confidence that we will produce consistent performance.

Today, Schroders is one of the largest publicly quoted asset managers in the world. Our independence and our exclusive focus on asset management free us to align our interests with those of our clients.

The key to our success

Focus

Investment management is our only business. Our substantial resources are focused on our investment teams, in-house research capability and client-servicing professionals. Our independence allows us to take a distinctive, entrepreneurial approach, providing market-leading investment solutions which anticipate clients' changing needs. Schroders' exclusive focus on asset management also removes any conflict of interest and our research analysts can make investment recommendations without having to consider other potential business impacts.

Knowledge advantage

More than two hundred years of experience in financial markets results in a world-class approach to investment. Schroders' global network of investment professionals is dedicated to seeking out the most attractive investment opportunities from many thousands of securities. Fundamental research and first-hand knowledge of companies through direct contact with management lie at the heart of our ability to provide superior performance.

Global reach and local presence

Schroders has offices in over 20 countries, employing local nationals in key positions. Our local presence means that we are always close to our clients. Client service is provided by teams who understand the local language, regulations and culture - because they are part of them.

Europe

Schroders has a long and distinguished history in Europe, and we see the European market as key to our business. Our head office is in London and we have established strong roots from

which to expand, with a network of offices throughout the Continent.

Americas

We opened our New York office in 1923. Since then we have amassed extensive knowledge of the American markets. Our presence has also given us the platform to deliver a range of high quality investment products to clients based in the Americas.

Asia Pacific

Our Tokyo office opened in 1974 and, with over 30 years' local experience, Schroders offers an outstanding capability in Japan. Our substantial team of investment specialists is based in Tokyo and London and all Japanese investment research is conducted locally. The management of Pacific Basin equities is led by our highly experienced specialist team located in our Singapore office, which is supported by offices all over the region.

| | |

Schroders
Investment Risk Group

Investment Risk Group
Schroders provides investment management services for a broad spectrum of clients including institutional, retail, private clients and charities. The long term objectives of any investment programme that we implement for our clients cannot be achieved, however, without taking some degree of risk. Having said that, it's not sufficient for portfolio managers to simply select their favoured investments, combine them together into a portfolio and presume that, over time, the client's ultimate investment objectives will be met. Along the way there are bound to be potential pitfalls which might include changing market conditions and periods of abnormal volatility that will conspire to challenge even the most skilful fund manager's portfolio strategy. Consequently, the modern investment management company needs to have the tools and resources in place to be able to measure and manage portfolio risk effectively across the range of its products.

At Schroders we have a dedicated Investment Risk Group (supported by a team of software developers) who are principally responsible for providing:

— Sophisticated and up to date investment risk tools that cover all asset classes therefore allowing our fund managers to know and understand the levels of investment risk inherent in their portfolios.

— Research insight into risk management trends, market behaviour, and the potential impact of these upon a fund manager's portfolio.

— A point of independent oversight and review to ensure that the risks being taken within a given fund are appropriate and consistent with its risk and return profile.

Consistent performance, making sure that investment products are structured in line with their objectives, and ensuring that risk budgets are set, managed and spent consistently are some of the goals of implementing an effective risk management process. Benefits of devoting sufficient resources to the risk management function accrue to both client and investment manager alike – there's something for everyone in "doing risk" properly.

What is Risk Management?
Schroders' fundamental investment philosophy is that markets are inefficient and that, through detailed and careful research, our portfolio managers can exploit those inefficiencies to achieve superior returns. Some of our investment mandates have explicit market – related benchmarks whilst others are more focussed upon absolute returns in which case cash is often the implicit benchmark. Either way, in order to achieve their return targets our fund managers need to take active risk-inducing positions to outperform. Careful balancing of these positions can generate the investment results that our clients seek. Failure to take appropriate levels of investment risk may result in an inappropriate risk and return profile for client portfolios and exposure to excessive levels of return volatility.

One of the keys to risk taking is to ensure that levels of investment risk are appropriate. Some clients set high performance targets and, accordingly, accept and expect a higher level of volatility and risk within their portfolio. Others might be more conservative, with a lower risk tolerance and therefore have less aggressive performance targets. As fund manager for clients' investments Schroders has effectively been given a risk budget that must be spent and allocated appropriately.

Portfolio managers manage risk on a daily basis. In today's complex market place, with increased emphasis on governance, oversight, independence and challenge, they need appropriate tools and risk analysis to enable them to do this effectively. In this environment portfolio managers need to work in tandem with risk professionals to ensure that::

— The risk being taken in client portfolios is consistent with clients' investment objectives.

— Risk in a portfolio is allocated in a manner appropriate to a portfolio manager's views and areas of expertise.

Schroders
Investment Risk Group

How do you define risk?
Over the years, investment risk has become broadly synonymous with the concept of volatility of portfolio returns, either in an absolute or in a benchmark-relative sense. Whilst this is a useful starting point and a concept that is widely used, it is not the only way of thinking about investment risk. In practice, risk management is a much more complex process and for this reason we have developed a flexible array of investment risk tools which cut across a variety of ways of measuring risk.

Examples of alternative ways of thinking about risk include:

— The sensitivity of portfolio returns to changes in key variables (for example general market movements and changes in interest rates).

— Exposure of a portfolio to important risk factors (for example stocks with a certain style in an equity portfolio or companies with certain credit ratings in a corporate bond portfolio).

— The probability of not meeting or matching an investment objective (for example a pension fund's liabilities).

— The likelihood of a portfolio losing money.

— The chance of unusual returns occurring.

Whichever way you look at it, whilst risk is necessary to generate performance it is not there just to be controlled. What is important is that risk needs to be quantified in order to be effectively managed. The range of different types of mandates that we manage at Schroders across different asset classes necessitates taking a wide ranging approach to managing risk, utilising a variety of techniques and definitions in order to do that.

Our approach to Risk Management
It is all too tempting when trying to describe the risk of a portfolio to attempt to boil it down to a single number. A common example of the "single-measure" approach to risk is the idea of tracking error (the volatility of a portfolio's excess returns versus its benchmark).

Such measures are single numbers and can summarise risk simply and concisely. Therein lies both their advantage and disadvantage. Given, for instance, a tracking error figure a client or portfolio manager gets an immediate answer as to what the risk is in their portfolio. Or do they? Some in the investment management industry appear to have become fixated by summarising risk by a single measure. This, in our view, oversimplifies the role and function of risk management.

Our perspective on risk management is that individual risk measures are useful starting points but cannot be used in isolation to manage risk. For example, two portfolios can have the same level of tracking error but the way they get to that tracking error can be quite different. As a result, they can face different - most likely directional - risks. Just as important as tracking error is an appreciation of how this active risk is arrived at. The pertinent questions that fund managers should be asking themselves are ones such as: what proportion of my risk comes from different sources - countries, sectors, styles and stock specific - and is that allocation consistent with my views and skill sets? Is my portfolio too concentrated - is too much risk loaded onto too few stocks? Which stock positions contribute the most to risk? What are my style exposures? How do my sector and country positions impact on risk? Effective portfolio management becomes a matter of asking the right questions and continually ensuring that fund structure is consistent with views held.

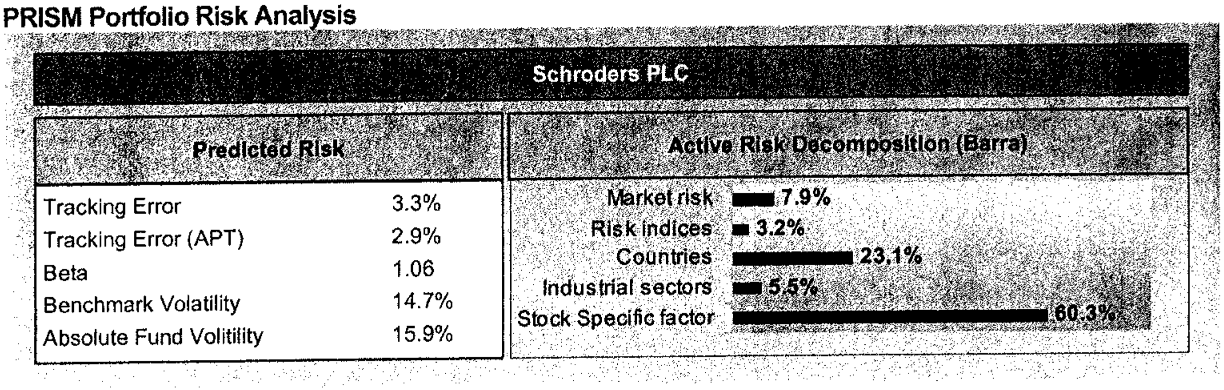
We favour a holistic view of risk in which individual risk measures play a part but are certainly not the end of the story. Using measures such as tracking error is a quick way of gauging the overall level of risk in a portfolio but can't be relied upon in isolation. We look at portfolios along a number of risk dimensions, practising what we preach by diversifying across risk measures.

Schroders
Investment Risk Group

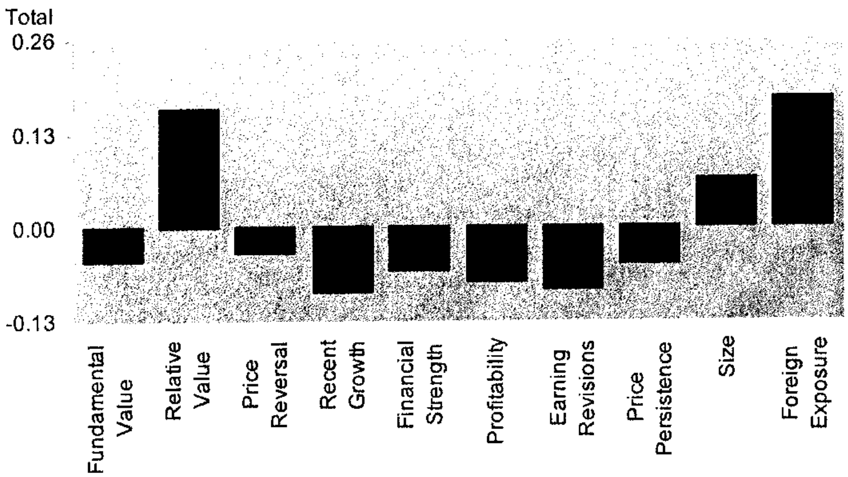
Schroders' Investment Risk Tools
One of the fundamental beliefs of our investment risk group is that there is no single solution to measuring and understanding the levels of investment risk inherent in a portfolio; a range of different techniques and sensitivities must be applied and understood before a judgement can be made. We adopt a diversified approach to risk management. In our opinion risk management is neither art nor science, it requires a careful balance of both. Accordingly, Schroders' risk measurement tools and systems use a range of both quantitative and qualitative techniques, and we build our own risk models in addition to utilising commercially available risk models. Some techniques that we use to manage investment risk are common across asset classes and can be applied irrespective of the type of mandate. In general, though, different asset classes and mandate demand differentiated approaches to managing risk.

For **Equity** portfolios we use our proprietary equity risk analysis system **PRISM** to provide comprehensive risk analysis. PRISM describes the overall level of investment risk in a portfolio and the breakdown of that risk into its component sources. The Section heading styles to choose from are listed below.

PRISM Portfolio Risk Analysis



PRISM Portfolio Style Characteristics



Investment style analysis has become an increasingly popular concept over recent years as investors aim to determine what the key characteristics of their portfolios are. PRISM identifies portfolio style exposure such as biases towards factors such as value, growth, quality, momentum and size.

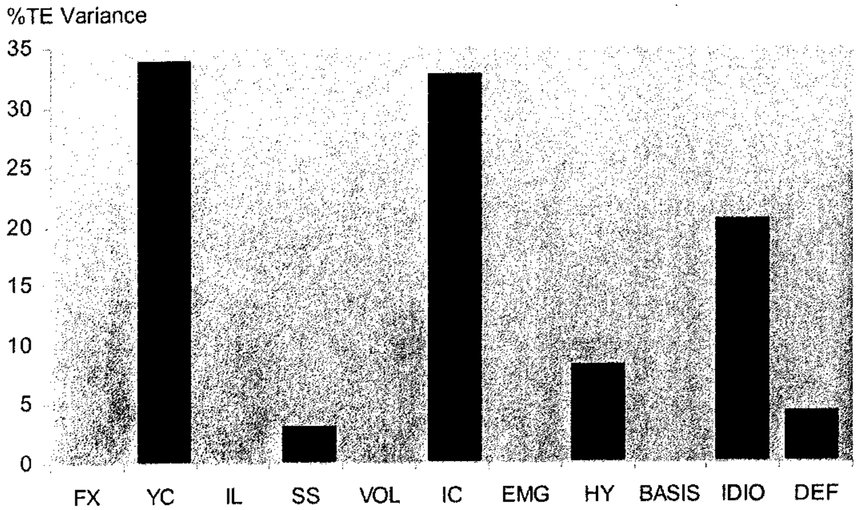
For **Fixed Income** portfolios we use a multi-factor model to measure portfolio/ benchmark volatility and tracking error. The model quantifies sources of risk by decomposing portfolio risk into contributions from

Schroders
Investment Risk Group

currency, yield curve movement, investment-grade and high yield sectors, idiosyncratic risk and credit default risk. The model handles not only government, corporate and securitized assets, but also a wide range of derivative instruments.

Fixed Income Risk Analysis
Systematic Tracking Error Volatility (bpa/month)

Isolated Systematic TEV					
	Total	USD	EUR	GBP	JPY
Currency	-	-	-	-	-
Yield Curve	11.2	4.1	0.5	12.0	3.5
Inflation	0.2	-	-	0.2	-
Swap Spreads	4.9	2.4	1.1	4.4	-
Volatility	0.1	0.1	0.1	0.0	-
Investment Grade Spreads	10.0	4.4	3.5	7.3	-
Emerging Markets Spreads	0.2	-	-	0.2	-
High Yield Spreads	4.5	1.1	4.5	0.9	-
COS Basis	1.0	0.3	1.0	-	-
Total Systematic	**15.2**	**6.9**	**7.5**	**15.4**	**3.6**



Total TEV (bpa/month)	17.4
Systematic TEV	15.2
Idosyncratic TEV	7.7
Default TEV	3.4

Last Transaction	9/29/2006
Total MV (MMS)	495
Cash MV (MMS)	5
Positions Included	234
Positions Excluded	0

Source: Lehman POINT

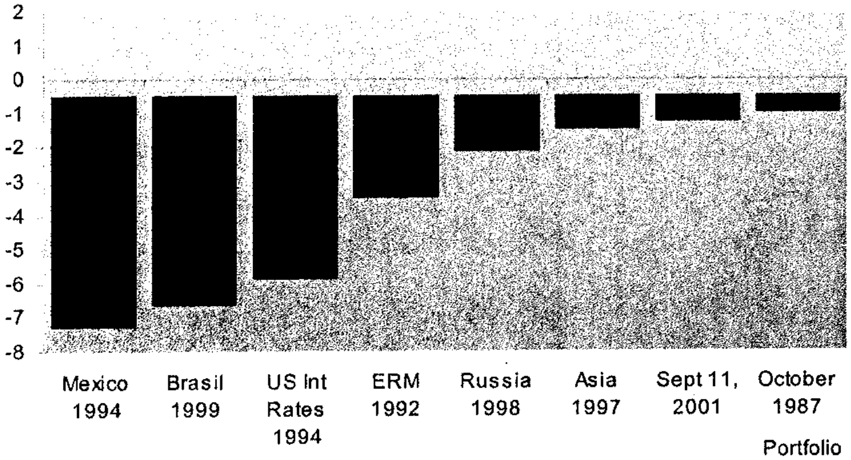
Schroders

Schroders
Investment Risk Group

A trend in recent years has been an increased interest in **Absolute Return** vehicles, where the emphasis for performance comparison is less on a market-related benchmark and more on a relatively stable target such as cash returns. These vehicles represent a challenge to traditional thinking on investment risk and in this area we bring to bear techniques such as Value at Risk (VaR) and stress testing to portfolios with an emphasis on identifying the contributions to risk from individual portfolio positions.

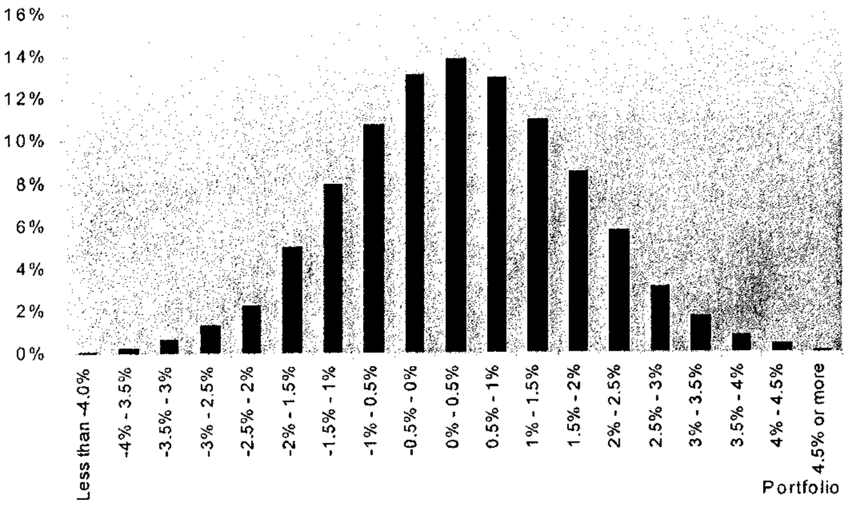
These approaches permit us to quantify the worst case loss a portfolio could incur given specified confidence levels and over a particular time horizon, under normal market conditions. When combined with stress testing, which attempts to quantify the loss a portfolio could incur under abnormal conditions, or periods of extreme stress, two powerful techniques work together to enable us to understand more deeply the potential losses that could be faced.

Portfolio Stress Testing
Portfolio Expected Losses



Multi-Asset or balanced portfolios invest across a range of asset classes and provide a different challenge. Our proprietary multi-asset risk tool - **SMART** - decomposes total portfolio risk into sources from the alpha of underlying funds, the beta exposure of markets and associated currency exposure of overseas investments. We also apply statistical simulation techniques to portfolio returns to provide insight into the likely range of future returns.

SMART – Expected Portfolio Return Distribution



Schroders

Schroders
Investment Risk Group

Risk Governance
Schroders has a strong, well established risk culture. A risk governance structure, known as the Schroder Investment Risk Framework (SIRF) is in place to ensure that, through the use of appropriate risk parameters, the level of investment risk taken is consistent with the expected risk and return profile of a fund. This structure extends to all portfolios, investing in all asset classes, across the group. A governing body (the SIRF Board – sorry we couldn't resist this name!) exists and delegates this oversight authority and responsibility to individual Equity, Fixed Income, Alternatives, and Property Risk Committees. Sitting on each Committee is the head of the asset class, product managers and members of the Investment Risk Group. These forums present an opportunity to discuss and highlight, totally independently of the fund managers, the levels of risk in each portfolio and any parameter exceptions. Issues and actions arising can therefore be escalated to the head of the asset class for their decision on the appropriate course of action. Any remaining concerns can be escalated further to the SIRF Board (which meets quarterly) for resolution, if required.

Whilst these forums provide a formal environment in which to review portfolio risk, it is typically more common for our fund managers to enter into open dialogue with members of our risk team. This consultative relationship encourages a review of assumptions and helps raise fund manager's awareness to potential sources of investment risk within their portfolios that might otherwise have been overlooked.

Schroders' Investment Risk Group
Schroders' Investment Risk Group is headed by David King. David and his team of experienced risk professionals report directly to James Stewart, the Chief Operating Officer for Investment at Schroders.

Conclusion
Investment risk is central and crucial to Schroders' business, but also has the potential to cause excess levels of portfolio volatility to clients' portfolios if left unchecked. Our highly skilled, independent team of risk professionals ensure our systems are up to date and fully reflective of underlying market conditions, thus allowing our fund managers to understand the sources of risk within their portfolios. This process is supplemented with a detailed and thorough governance structure that ensures independent oversight of the levels of investment risk and provides a platform for review, challenge and escalation.

TAB 3

SCHRODER CAPITAL FUNDS (DELAWARE)
SCHRODER SERIES TRUST
SCHRODER GLOBAL SERIES TRUST

Supplement dated March 20, 2007
to Investor Shares Prospectus dated March 1, 2007

With this supplement, the Investor Shares Prospectus is being updated for Schroder Emerging Market Equity Fund, Schroder U.S. Small and Mid Cap Opportunities Fund and Schroder Strategic Bond Fund with respect to the Annual Fund Operating Expenses table and Example table.

Annual Fund Operating Expenses: The Annual Fund Operating Expenses table and its corresponding footnotes in the "Fees and Expenses" section of the Investor Shares Prospectus are deleted and replaced with the following:

Annual Fund Operating Expenses (expenses that are deducted from Fund assets):

	Schroder Emerging Market Equity Fund(1)	Schroder International Alpha Fund(1)(2)	Schroder International Diversified Value Fund	Schroder North American Equity Fund(1)	Schroder U.S. Opportunities Fund(2)	Schroder U.S. Small and Mid Cap Opportunities Fund(1)	Schroder Enhanced Income Fund	Schroder Strategic Bond Fund	Schroder Total Return Fixed Income Fund	Schroder Municipal Bond Fund	Schroder Short-Term Municipal Bond Fund
Management Fees (3)	1.00%	0.975%	1.00%	0.25%	1.00%	1.00%	0.25%	0.75%	0.25%	0.40%	0.40%
Distribution (12b-1) Fees	None	None	None	None	None	None	None	None	None	None	None
Other Expenses (1) (3) (4)	3.88%	1.691%	7.61%	0.08%	0.34%	5.15%	0.47%	3.92%	1.80%	0.37%	0.37%
Acquired Fund Fees and Expenses (5)	0.00%	0.00%	None	0.00%	0.06%	0.00%	None	None	None	0.01%	0.02%
Total Annual Fund Operating Expenses	4.88%	2.666%	8.61%	0.33%	1.40%	6.15%	0.72%	4.67%	2.05%	0.78%	0.79%
Less: Fee Waiver and Expense Limitation(6)	(3.13)%	(1.416)%	(7.36)%	None	None	(4.74)%	(0.32)%	(3.52)%	(1.65)%	(0.22)%	(0.22)%
Net Expenses (6)(7)	1.75%	1.25%	1.25%	0.33%	1.40%(7)	1.41%(7)	0.40%	1.15%	0.40%	0.56%(7)	0.57%(7)

(1) In addition to direct expenses incurred by the Fund, "Other Expenses" includes any indirect expenses incurred as a result of the Fund's investment in one or more funds, including ETFs, that do not exceed 0.01% of the average net assets of the Fund. These indirect expenses of the Fund are not subject to waiver and are not subject to the expense limitation of the Fund.

(2) Restated to reflect current fees.

(3) Management Fees for each Fund include all fees payable to the Fund's adviser and its affiliates for investment advisory and fund administration services. The Fund also pays administrative or sub-administrative fees directly to SEI Investments Global Fund Services, and those fees are included under "Other Expenses."

(4) Because Schroder International Diversified Value Fund and Schroder Strategic Bond Fund have operating results for six months or less in their initial fiscal year, "Other Expenses" for these Funds are based on estimated amounts for each Fund's current fiscal year.

(5) The "Acquired Fund Fees and Expenses" are indirectly borne by the Fund and these fees and expenses are not subject to waiver and are not subject to the expense limitation of the Fund.

(6) The "Net Expenses" shown for certain Funds reflect the effect of contractually imposed fee waivers and/or expense limitations on the Total Annual Fund Operating Expenses of each such Fund.

In order to limit the expenses of the Investor Shares of certain Funds, the Funds' adviser has contractually agreed to reduce its compensation (and, if necessary, to pay other Fund expenses) until February 28, 2008 to the extent that the Total Annual Fund Operating Expenses of a Fund (other than Acquired Fund Fees and Expenses, interest, taxes, and extraordinary expenses, which may include typically non-recurring expenses such as, for example, organizational expenses, litigation expenses, and shareholder meeting expenses) allocable to each Fund's Investor Shares exceed the following annual rates (based on the average daily net assets attributable to each Fund's Investor Shares): Schroder Emerging Market Equity Fund: 1.75%; Schroder International Alpha Fund: 1.25%; Schroder International Diversified Value Fund: 1.25%; Schroder U.S. Opportunities Fund – effective May 1, 2006: 1.70%; Schroder U.S. Small and Mid Cap Opportunities Fund: 1.40%; Schroder Enhanced Income Fund: 0.40%; Schroder Strategic Bond Fund: 1.15%; Schroder Total Return Fixed Income Fund: 0.40%; Schroder Municipal Bond Fund: 0.55%; and Schroder Short-Term Municipal Bond Fund: 0.55%.

Net Expenses of the Funds' Investor Shares may be higher than the Net Expenses shown in the table above to the extent the Fund pays interest, taxes, or extraordinary expenses. In the last fiscal year, the Funds with fee waivers and/or expense limitations in effect had no such expenses, and these Funds do not expect to incur such expenses in the next fiscal year. The fee waiver and/or expense limitations for the Funds may only be terminated during their term by the Board of Trustees.

(7) The "Net Expenses" shown in the table includes any expenses incurred indirectly by the Fund as a result of its investments in one or more funds, including ETFs and money market funds, as applicable. If only the operating expenses of the Fund were included in Net Expenses, and not the indirect expenses incurred by the Fund, the Net Expenses would be: Schroder U.S. Opportunities Fund: 1.34%; Schroder U.S. Small and Mid Cap Opportunities Fund: 1.40%; Schroder Municipal Bond Fund: 0.55%; and Schroder Short-Term Municipal Bond Fund: 0.55%. The expenses shown in the table above may, for certain of the Funds, differ from the expenses included in the "Financial Highlights" section due to, among other things, the inclusion of indirect Other Expenses and Acquired Fund Fees and Expenses shown in the table above.

Example: With respect to Schroder Emerging Market Equity Fund, Schroder U.S. Small and Mid Cap Opportunities Fund and Schroder Strategic Bond Fund, the Example table in the "Fees and Expenses" section on page 50 of the Investor Shares Prospectus is deleted and replaced with the following:

	1 Year	3 Years	5 Years	10 Years
Schroder Emerging Market Equity Fund	$178	$1,187	$2,198	$4,737
Schroder U.S. Small and Mid Cap Opportunities Fund	$144	$1,403	$2,634	$5,589
Schroder Strategic Bond Fund	$117	$1,090	N/A	N/A

With this supplement, the Investor Shares Prospectus is being updated for Schroder Municipal Bond Fund and Schroder Short-Term Municipal Bond Fund with respect to the Portfolio Managers of these Funds.

Portfolio Managers: The "Management of the Funds - Portfolio Managers" section in the Investor Shares Prospectus is supplemented to reflect that Daniel Scholl is no longer serving in the capacity of Portfolio Manager for each of Schroder Municipal Bond Fund and Schroder Short-Term Municipal Bond Fund.

With this supplement, the Investor Shares Prospectus is being updated for Schroder U.S. Opportunities Fund to limit who may purchase shares in this Fund.

Closing Schroder U.S. Opportunities Fund to New Investors: Effective the close of business on April 18, 2007, Schroder U.S. Opportunities Fund (the "Fund") will be closed to new investors. Shareholders of the Fund on that date may continue to add to their Fund positions after that date. Investors who do not own shares of the Fund on April 18, 2007 generally will not be allowed to buy shares of the Fund after that date, with the following exceptions:

- participants in most employee benefit plans or employer-sponsored retirement plans, if the Fund had been established as an investment option under the plan prior to April 18, 2007; and
- a Trustee of Schroder Capital Funds (Delaware), Schroder Series Trust, or Schroder Global Series Trust, an employee of Schroder Investment Management North America Inc. ("Schroders") or a member of the immediate family of any of these persons.

Schroders reserves the right to modify this policy at any time.

Schroders

PROSPECTUS

March 1, 2007

Equity Funds
SCHRODER EMERGING MARKET EQUITY FUND
SCHRODER INTERNATIONAL ALPHA FUND
SCHRODER INTERNATIONAL DIVERSIFIED VALUE FUND
SCHRODER NORTH AMERICAN EQUITY FUND
SCHRODER U.S. OPPORTUNITIES FUND
SCHRODER U.S. SMALL AND MID CAP OPPORTUNITIES FUND

Taxable Fixed Income Funds
SCHRODER ENHANCED INCOME FUND
SCHRODER STRATEGIC BOND FUND
SCHRODER TOTAL RETURN FIXED INCOME FUND

Tax-Exempt Fixed Income Funds
SCHRODER MUNICIPAL BOND FUND
SCHRODER SHORT-TERM MUNICIPAL BOND FUND

Investor Shares

This Prospectus describes eleven mutual funds (each, a "Fund" and collectively, the "Funds") offered by Schroder Capital Funds (Delaware), Schroder Series Trust, or Schroder Global Series Trust (each, a "Trust" and collectively, the "Trusts"). Each Fund is a series of one of the Trusts.

Schroder Emerging Market Equity Fund seeks capital appreciation through investment principally in equity securities of companies in emerging market countries in regions such as Asia, Latin America, Eastern Europe, the Middle East, and Africa.

Schroder International Alpha Fund seeks long-term capital appreciation through investment in securities markets outside the United States.

Schroder International Diversified Value Fund seeks long-term capital appreciation by investing principally in a portfolio of equity securities of companies located outside the United States that the Fund's investment sub-adviser considers to offer attractive valuations.

Schroder North American Equity Fund seeks capital growth by investing primarily in equity securities of companies in the United States.

Schroder U.S. Opportunities Fund seeks capital appreciation by investing primarily in equity securities of companies in the United States with market capitalizations of $3 billion or less.

Schroder U.S. Small and Mid Cap Opportunities Fund seeks capital appreciation by investing primarily in equity securities of small and mid cap companies in the United States.

Schroder Enhanced Income Fund seeks high current income, consistent with the preservation of capital and reasonable liquidity. As a secondary objective, the Fund seeks a high rate of total return. The Fund invests in a diversified portfolio of U.S. dollar-denominated income-producing obligations. The Fund's dollar weighted average portfolio duration will typically be from three to six months.

Schroder Strategic Bond Fund seeks a high level of total return by investing in a portfolio of debt securities of issuers across a spectrum of sectors and markets around the world.

Schroder Total Return Fixed Income Fund seeks a high level of total return by investing in a portfolio of fixed income obligations. The Fund intends to maintain a dollar-weighted average portfolio duration of three to six years.

Schroder Municipal Bond Fund seeks a high level of income exempt from regular federal income tax, consistent with the preservation of capital by investing in a portfolio of investment grade municipal bonds. The Fund intends to maintain a dollar-weighted average portfolio maturity of five to ten years.

Schroder Short-Term Municipal Bond Fund seeks a high level of income exempt from regular federal income tax, consistent with the preservation of capital by investing in a portfolio of investment grade short-term municipal bonds. The Fund intends to maintain a dollar-weighted average portfolio maturity of not more than three years.

This Prospectus explains what you should know about the Funds before you invest. Please read it carefully. You can call the Schroder Mutual Funds at (800) 464-3108 to find out more about these Funds and other funds in the Schroder family of funds. From outside the United States, please call (617) 483-5000 and ask to speak with a representative of the Schroder Mutual Funds.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

SCHRODER CAPITAL FUNDS (DELAWARE)
SCHRODER SERIES TRUST
SCHRODER GLOBAL SERIES TRUST

TABLE OF CONTENTS

SUMMARY INFORMATION

SCHRODER EMERGING MARKET EQUITY FUND

Investment Objective. To seek capital appreciation.

Principal Investment Strategies. The Fund normally invests at least 80% of its net assets in equity securities of companies the Fund's sub-adviser considers to be "emerging market" issuers. (This policy is non-fundamental and may be changed by the Trustees, without a vote of the shareholders of the Fund, upon at least 60 days' prior written notice to shareholders.) The Fund may use derivatives for purposes of complying with this policy. The Fund may invest the remainder of its assets in securities of issuers located anywhere in the world. The Fund may invest in common and preferred stocks, securities convertible into common and preferred stocks, warrants to purchase common and preferred stocks, and index-linked warrants. The Fund may also invest in sponsored or unsponsored American Depositary Receipts ("ADRs"), Global Depository Receipts ("GDRs"), European Depository Receipts ("EDRs") or other similar securities representing ownership of foreign securities (collectively, "Depositary Receipts"). The Fund may also invest in securities of closed-end investment companies and exchange-traded funds (open-end investment companies whose shares may be bought or sold by investors in transactions on major stock exchanges) ("ETFs"), including securities of emerging market issuers. An investment in a domestic closed-end fund or ETF that has a policy that it will normally invest at least 80% of its net assets in equity securities of emerging market issuers, and has "emerging market" or the equivalent in its name, or foreign funds with similar investment policies, will be treated as an investment in equity securities of emerging market issuers for purposes of determining if the Fund has invested at least 80% of its net assets in such securities.

The Fund invests in equity securities of issuers domiciled or doing business in "emerging market" countries in regions such as Asia, Latin America, Eastern Europe, the Middle East and Africa. The Fund's sub-adviser currently considers "emerging market" issuers to be issuers domiciled in or deriving a substantial portion of their revenues from countries not included at the time of investment in the Morgan Stanley Capital World Index. Countries currently in this Index include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong SAR, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The Fund's sub-adviser may at times determine based on its own analysis that an economy included in the Index should nonetheless be considered an emerging market country, in which case that country would constitute an emerging market country for purposes of the Fund's investments. The Fund's sub-adviser has determined that Chinese companies listed in Hong Kong will be considered emerging market issuers for this purpose. There is no limit on the amount of the Fund's assets that may be invested in securities of issuers domiciled in any one emerging market country, although the Fund will typically seek to allocate its investments among a number of different emerging market countries.

The Fund invests in issuers and countries that its sub-adviser believes offer the potential for capital growth. In identifying investments for the Fund, the Fund's sub-adviser considers a variety of factors, including the issuer's likelihood of above average earnings growth, the securities' attractive relative valuation, and whether the issuer enjoys proprietary advantages. The Fund may invest in securities of companies of any size, including companies with large, medium, and small market capitalizations, including micro-cap companies. The Fund may also purchase securities issued in initial public

offerings. In addition, the Fund's sub-adviser considers the risk of local political and/or economic instability associated with particular countries and regions and the liquidity of local markets. The Fund generally sells securities when the Fund's sub-adviser believes they are fully priced or to take advantage of other investments the Fund's sub-adviser considers more attractive.

The Fund may purchase or sell structured notes, or enter into swap transactions, for hedging or as an alternative to purchasing or selling securities. The Fund's sub-adviser may hedge some of the Fund's foreign currency exposure back into the U.S. dollar, although it does not normally expect to do so. The Fund may also purchase or sell futures on indices, including country specific or overall emerging market indices. The Fund may use derivatives to gain long or short exposure to securities or market sectors as a substitute for cash investments (not for leverage) or pending the sale of securities by the Fund and reinvestment of the proceeds.

Principal Risks.

- It is possible to lose money on an investment in the Fund.
- **Emerging Markets Securities Risk.** The Fund may invest in "emerging market" countries whose securities markets may experience heightened levels of volatility. The risks of investing in emerging markets include greater political and economic uncertainties than in foreign developed markets, currency transfer restrictions, a more limited number of potential buyers, and an emerging market country's dependence on revenue from particular commodities or international aid. Additionally, the securities markets and legal systems in emerging market countries may only be in a developmental stage and may provide few, or none, of the advantages or protections of markets or legal systems available in more developed countries. Emerging market countries may experience extremely high levels of inflation, which may adversely affect those countries' economies, currencies, and securities markets. Also, emerging market issuers are often smaller and less well-known than larger, more widely held companies, and involve certain special risks associated with smaller capitalization companies described below under "Small and Mid Cap Companies Risk."
- **Foreign Investment Risk.** Adverse political, regulatory, market, or economic developments in foreign countries can affect issuers located in those countries. Investments in foreign countries may also be subject to foreign withholding taxes.
- **Foreign Currencies Risk.** Investments in foreign securities are normally denominated and traded in foreign currencies. The value of the Fund's assets may be affected favorably or unfavorably by currency exchange rates, currency exchange control regulations, and restrictions or prohibitions on the repatriation of foreign currencies.
- **Geographic Focus Risk.** To the extent the Fund invests a substantial amount of its assets in one country or group of countries, its performance may at times be worse than the performance of other mutual funds that invest more broadly.
- **Small and Mid Cap Companies Risk.** Many companies located in emerging markets have smaller market capitalizations than those of comparable companies located in developed markets. Small companies tend to be more vulnerable to adverse developments than larger companies. The Fund may invest in micro-cap companies, which tend to be particularly sensitive to the risks associated with small companies.

Small companies may have limited product lines, markets, or financial resources, or may depend on a limited management group. Their securities may trade less frequently and in limited volumes. As a result, the prices of these securities may fluctuate more than the prices of securities of larger, more widely traded companies. Also, there may be less publicly available information about small and mid cap companies or less market interest in their securities as compared to larger companies, and it may take longer for the price of the securities to reflect the full value of their issuers' earnings potential or assets.

- **Equity Securities Risk.** Equity securities are securities that represent an ownership interest (or the right to acquire such an interest) in a company and include common and preferred stocks. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take priority over holders of preferred stock, whose claims take priority over the claims of those who own common stock.

- **Convertible Securities Risk.** The Fund may invest in securities that are convertible into preferred and common stocks, and so subject to the risks of investments in both debt and equity securities.

- **Warrants Risk.** The Fund may invest in warrants to purchase equity securities and index-linked warrants. The price, performance and liquidity of such warrants are typically linked to the underlying stock or index, less transaction costs. In addition to the market risk related to the underlying holdings, the Fund bears additional counterparty risk with respect to the issuing broker. Moreover, there is currently no active trading market for these warrants.

- **Investments in Pooled Vehicles Risk.** The Fund may invest in shares of closed-end investment companies (including single country funds) and ETFs. Investing in another investment company exposes the Fund to all the risks of that investment company, and, in general, subjects it to a pro rata portion of the other investment company's fees and expenses.

- **Depositary Receipts Risk.** The Fund may invest in sponsored or unsponsored Depositary Receipts. Investments in non-U.S. issuers through Depositary Receipts and similar instruments may involve certain risks not applicable to investing in U.S. issuers, including changes in currency rates, application of local tax laws, changes in governmental administration or economic or monetary policy or changed circumstances in dealings between nations. Costs may be incurred in connection with conversions between various currencies.

- **Equity Markets Risk.** The values of equity securities fluctuate in response to issuer, political, market, and economic developments. Equity prices can fluctuate dramatically over short time periods in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large capitalization stocks can react differently from small capitalization stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole.

- **Initial Public Offerings (IPOs) Risk.** The Fund may purchase securities of companies in initial public offerings of their securities, either in the initial offering itself or shortly after the initial offering. Such investments are subject generally to the risks described above under "Small and Mid Cap Companies Risk." Such securities have no

trading history, and information about such companies may be available for very limited periods. Under certain market conditions, very few companies, if any, may determine to make initial public offerings of their securities. At any particular time or from time to time the Fund may not be able to invest in securities issued in IPOs or invest to the extent desired. The investment performance of the Fund during periods when it is unable to invest significantly or at all in initial public offerings may be lower than during periods when the Fund is able to do so. The prices of securities sold in initial public offerings can be highly volatile.

- **Derivatives Risk.** Derivative transactions typically involve leverage and may be highly volatile. It is possible that a derivative transaction will result in a loss greater than the principal amount invested, and the Fund may not be able to close-out a derivative transaction at a favorable time or price.

- **Liquidity Risk.** The Fund may find it difficult to sell or to close out certain investments at favorable prices or times. Illiquid securities may be highly volatile and difficult to value.

- **Management Risk.** Because the Fund is actively managed, its investment return depends on the ability of its sub-adviser to manage its portfolio successfully. The Fund's sub-adviser and the investment team will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Performance Information. The Fund recently commenced operations and does not yet have a full calendar year of investment performance.

SCHRODER INTERNATIONAL ALPHA FUND

Investment Objective. Long-term capital appreciation through investment in securities markets outside the United States.

Principal Investment Strategies. The Schroder International Alpha Fund (formerly, Schroder International Fund) will invest principally in securities of companies located outside of the United States, and normally invests at least 65% of its total assets in equity securities of companies the Fund's adviser considers to be located outside of the United States. The Fund will invest in a variety of countries throughout the world. The Fund may, from time to time, invest more than 25% of its net assets in any one country or group of countries. The Fund will consider an issuer located in a country if it is organized under the laws of that country and is principally traded in that country, or is domiciled and has its principal place of business located in that country and is principally traded in that country, or if the Fund's sub-adviser determines that the issuer has more than 50% of its assets in or derives more than 50% of its revenues from that country. The Fund may invest in common and preferred stocks, securities convertible into common and preferred stocks, and warrants to purchase common and preferred stocks.

The Fund normally invests a substantial portion of its assets in countries included in the Morgan Stanley Capital International EAFE Index, which is a market weighted index of companies representative of the market structure of certain developed market countries in Europe, Australia, Asia, and the Far East. The Fund expects typically to invest in forty to sixty companies located outside of the United States at any one time.

The Fund invests in issuers that the Fund's sub-adviser believes offer the potential for capital growth. In identifying candidates for investment, the Fund's sub-adviser may consider the issuer's likelihood of above average earnings growth, the securities' attractive relative valuation, the quality of the securities, and whether the issuer has any proprietary advantages. The Fund generally sells securities when the Fund's sub-adviser believes they are fully priced or when significantly more attractive investment candidates become available. The Fund may invest in companies of any market capitalization. The Fund may purchase or sell futures contracts and options, in order to gain long or short exposure to particular securities or markets, in connection with hedging transactions, or otherwise to increase total return. By employing these techniques the Fund's portfolio manager tries to add incremental return over the Fund's benchmark index, which incremental return is sometimes referred to as "alpha."

The Fund also may do the following:

- Invest in securities of issuers domiciled or doing business in "emerging market" countries.
- Invest in securities of closed-end investment companies and ETFs (open-end investment companies whose shares may be bought or sold by investors in transactions on major stock exchanges) that invest primarily in foreign securities.

Principal Risks.

- It is possible to lose money on an investment in the Fund.
- **Foreign Investment Risk.** Adverse political, regulatory, market, or economic developments in foreign countries can affect issuers located in those countries. Investments in foreign countries may also be subject to foreign withholding taxes.

- **Foreign Currencies Risk.** Investments in foreign securities are normally denominated and traded in foreign currencies. The value of the Fund's assets may be affected favorably or unfavorably by currency exchange rates, currency exchange control regulations, and restrictions or prohibitions on the repatriation of foreign currencies.

- **Emerging Markets Securities Risk.** The Fund may invest in "emerging market" countries whose securities markets may experience heightened levels of volatility. The risks of investing in emerging markets include greater political and economic uncertainties than in foreign developed markets, currency transfer restrictions, a more limited number of potential buyers, and an emerging market country's dependence on revenue from particular commodities or international aid. Additionally, the securities markets and legal systems in emerging market countries may only be in a developmental stage and may provide few, or none, of the advantages or protections of markets or legal systems available in more developed countries. Emerging market countries may experience extremely high levels of inflation, which may adversely affect those countries' economies, currencies, and securities markets. Also, emerging market issuers are often smaller and less well-known than larger, more widely held companies, and involve certain special risks associated with smaller capitalization companies described below under "Small and Mid Cap Companies Risk."

- **Equity Securities Risk.** Equity securities are securities that represent an ownership interest (or the right to acquire such an interest) in a company and include common and preferred stocks. In the event an issuer is liquidated or declares bankruptcy, the claims of owners of bonds take priority over holders of preferred stock, whose claims take priority over the claims of those who own common stock.

- **Convertible Securities Risk.** The Fund may invest in securities that are convertible into preferred and common stocks, and so subject to the risks of investments in both debt and equity securities.

- **Warrants Risk.** The Fund may invest in warrants to purchase equity securities. The price, performance and liquidity of such warrants are typically linked to the underlying stock, less transaction costs. In addition to the market risk related to the underlying holdings, the Fund bears additional counterparty risk with respect to the issuing broker. Moreover, there is currently no active trading market for equity-linked warrants.

- **Equity Markets Risk.** A risk of investing in the Fund is the risk that the value of the equity securities in the portfolio will fall, or will not appreciate as anticipated by the Fund's sub-adviser, due to factors that adversely affect markets generally or particular companies in the portfolio. The values of equity securities fluctuate in response to issuer, political, market, and economic developments. Equity prices can fluctuate dramatically over short time periods in response to these developments. Different parts of the market and different types of equity securities can react differently to these developments. For example, large capitalization stocks can react differently from small capitalization stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole.

- **Small and Mid Cap Companies Risk.** Small companies tend to be more vulnerable to adverse developments than larger companies. The Fund may invest in micro-cap companies, which tend to be particularly sensitive to the risks associated with small companies. Small companies may have limited product lines, markets, or financial

resources, or may depend on a limited management group. Their securities may trade less frequently and in limited volumes. As a result, the prices of these securities may fluctuate more than the prices of securities of larger, more widely traded companies. Also, there may be less publicly available information about small and mid cap companies or less market interest in their securities as compared to larger companies, and it may take longer for the price of the securities to reflect the full value of their issuers' earnings potential or assets.

– **Derivatives Risk.** Derivative transactions typically involve leverage and may be highly volatile. It is possible that a derivative transaction will result in a loss greater than the principal amount invested, and the Fund may not be able to close-out a derivative transaction at a favorable time or price.

– **Geographic Focus Risk.** To the extent that the Fund invests a substantial amount of its assets in one country or group of countries, its performance may at times be worse than the performance of other mutual funds that invest more broadly.

– **Issuer Focus Risk.** The Fund may invest in a smaller number of companies than comprise the portfolios of other similar mutual funds. The Fund expects typically to invest in forty to sixty companies at any time. When the Fund invests in a relatively small number of issuers, changes in the value of one or more portfolio securities may have a greater effect on the Fund than if the Fund invested more broadly.

– **Investments in Pooled Vehicles Risk.** The Fund may invest in shares of closed-end investment companies (including single country funds) and ETFs. Investing in another investment company exposes the Fund to all the risks of that investment company, and, in general, subjects it to a pro rata portion of the other investment company's fees and expenses.

– **Liquidity Risk.** The Fund may find it difficult to sell or to close out certain investments at favorable prices or times. Illiquid securities may be highly volatile and difficult to value.

– **Management Risk.** Because the Fund is actively managed, its investment return depends on the ability of its sub-adviser to manage its portfolio successfully. The Fund's sub-adviser and the investment team will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results.

Performance Information.[(+)(++)]

Below is a bar chart that shows the investment returns of the Fund's Investor Shares for each of its last ten full calendar years of operations. The table following the bar chart shows how the Fund's average annual returns for the last year, for the last five years, and for the last ten years compare to a broad-based securities market index. The bar chart and table provide some indication of the risks of investing in the Fund by comparing the Fund's performance to a broad measure of market performance.